

Global FX Insights

by LMAX Exchange Research & Analytics

Comprehensive daily market research and analytics, with insightful commentary and charts

Major Currencies Still Have Leg Up on Buck [Wake-up Call](#)

The US Dollar has done a good job recovering this week, though if we are to look at performance over the past 5 days, the Buck is still rather mixed. Some risk off trade has helped the Buck against the commodity bloc and emerging market currencies, but hasn't done too much to help its cause against the other majors.

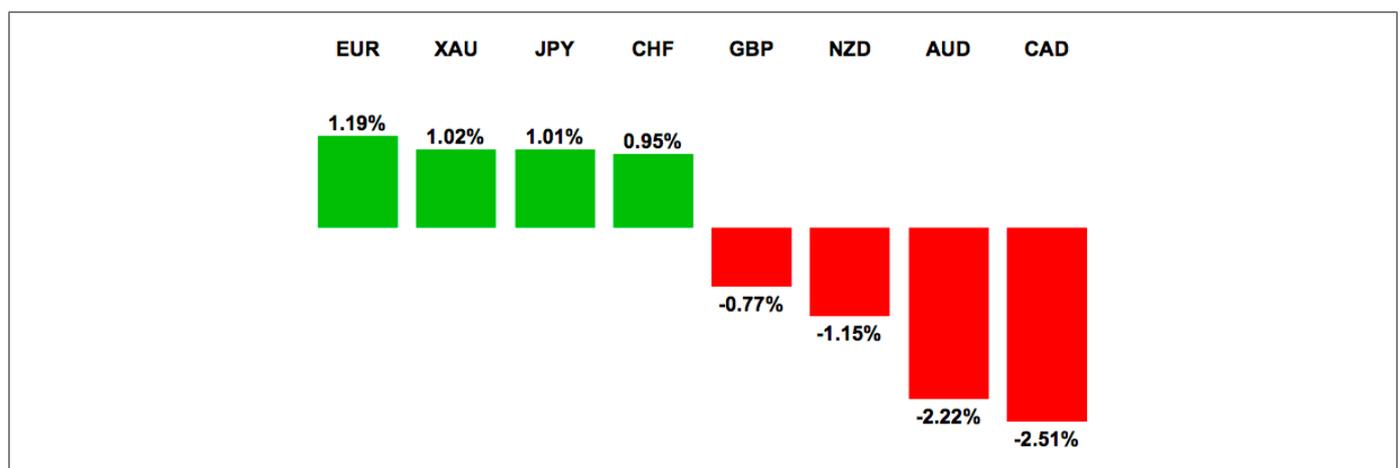
Technical highlights [Daily Video](#)

- **EURUSD** Showing signs of topping out
- **GBPUSD** Pressure still on downside
- **USDJPY** Rallies seen very well capped
- **EURCHF** Recovery outlook intact
- **AUDUSD** Carving meaningful top
- **USDCAD** Rounding out key base
- **NZDUSD** Keeps stalling above 0.7000
- **US SPX 500** Major structural shift
- **GOLD** (spot) Looking for higher low
- **Feature** – USDSGD Risks to upside

Fundamental highlights

- **EURUSD** Mixed data leaves Euro mostly sideways
- **GBPUSD** Back to back UK PMI disappointments
- **USDJPY** Yen finds renewed weakness post US data
- **EURCHF** SNB continues to hope for stable markets
- **AUDUSD** Solid Aussie retail sales, trade and housing
- **USDCAD** Canada trade data produces record deficit
- **NZDUSD** RBNZ odds for June cut ramp up post RBA
- **US SPX 500** Monetary policy limitations expose stocks
- **GOLD** (spot) Yellow metal turns focus to risk sentiment
- **Feature** – USDSGD EM looking ahead to US NFPs

Five day performance v. US dollar



Suggested reading

- **[Jim Chanos on Betting Against Wall Street](#)**, M. Klein, Financial Times (Apr 25, 2016)
- **[Howard Marks and Where He Sees Opportunity](#)**, M. Fox, CNBC (May 4, 2016)

EURUSD – technical overview

An extended market finally relented after trading to a fresh 2016 high through 1.1600. Tuesday's sharp bearish reversal and inability to hold above 1.1500 suggests the major pair could be poised for additional weakness in the sessions ahead. Ultimately, the combination of major resistance above 1.1500 and ahead of 1.1700 and some overbought studies, have opened the door for an overdue pullback. Still, a break below 1.1217 would be required to officially take the pressure off the topside.



- R2 1.1617 – 3May high – Strong
- R1 1.1530 – 4May high – Medium
- S1 1.1449 – 2May low – Medium
- S2 1.1399 – 21Apr high – Strong

EURUSD – fundamental overview

Not much going on with the Euro into Thursday trade, with the single currency more comfortable trading within a tight consolidation following Tuesday's sharp declines. Wednesday Eurozone data was mixed with German services PMIs above forecast, Eurozone services PMIs close to consensus and Eurozone retail sales disappointing. But most of the day's movement came in the aftermath of a discouraging US ADP employment print, with the Euro rallying intraday before eventually settling back down on better trade and above forecast ISM non-manufacturing. Looking ahead, the calendar is exceptionally thin, with only US initial jobless claims and Fed speak standing out. But perhaps this is fitting with the market expected to position ahead of tomorrow's monthly employment report out of the US.

GBPUSD – technical overview

Although the recent surge through key resistance at 1.4670 may suggest this market is getting ready to carve a more meaningful base, inability to establish a daily close above the level keeps the pressure on the downside. Tuesday’s bearish outside day formation suggests we could be poised for additional setbacks in the sessions ahead.



- R2 1.4670 – Previous range high – Strong
- R1 1.4572 – 4May high – Strong
- S1 1.4461 – 4May low – Medium
- S2 1.4403 – 25Apr low – Strong

GBPUSD – fundamental overview

The Pound has come back under pressure into the mid-week, after taking in consecutive disappointments in the form of manufacturing and construction PMIs. Also seen weighing on the UK currency have been recent polls tilting the balance back in favour of the Brexit side. We did see some demand after US ADP came in soft, but this was offset with subsequent releases of better US trade and ISM non-manufacturing. Looking ahead, the economic calendar is light, with only second tier data out of the UK and some initial jobless claims in the US. We do however get some Fed speak, though most of Thursday trade could revolve around positioning for Friday’s US NFPs.

USDJPY – technical overview

Setbacks have accelerated, with the market trading down through a measured move objective in the 106s and into the 105s, following the previous multi-day consolidation break. This puts the focus on the psychological barrier at 105.00. In the interim, look for the current corrective rally to be well capped ahead of 109.00, with only a break back above 111.89 to take the immediate pressure off the downside.



- R2 108.20 – 29Apr high – Strong
- R1 107.46 – 4May high – Medium
- S1 106.25 – 4May low – Medium
- S2 105.55 – 3May/2016 low – Strong

USDJPY – fundamental overview

The Yen has come back under some pressure in recent trade after posting fresh multi-month highs earlier in the week. Risk off flow and a disappointing US ADP print did their best to inspire renewed Yen demand on Wednesday, but any gains proved fleeting with the Dollar well supported on dips from better trade and ISM non-manufacturing results. Japan has been out on holiday which has resulted in some lighter whipsaw flow, and looking ahead, more choppy directionless price action could be expected with Thursday's calendar only featuring US initial jobless claims and some Fed speak. This will leave the market mostly consolidating ahead of Friday's all important NFPs.

EURCHF – technical overview

The latest round of setbacks from fresh multi-month highs at 1.1200 have been well supported, with the broader outlook still highly constructive. Look for any additional weakness in the sessions ahead to continue to be supported above 1.0800, in favour of a higher low and the next major upside extension through 1.1200, towards 1.1500 further up. Only a close below 1.0810 would delay the outlook.



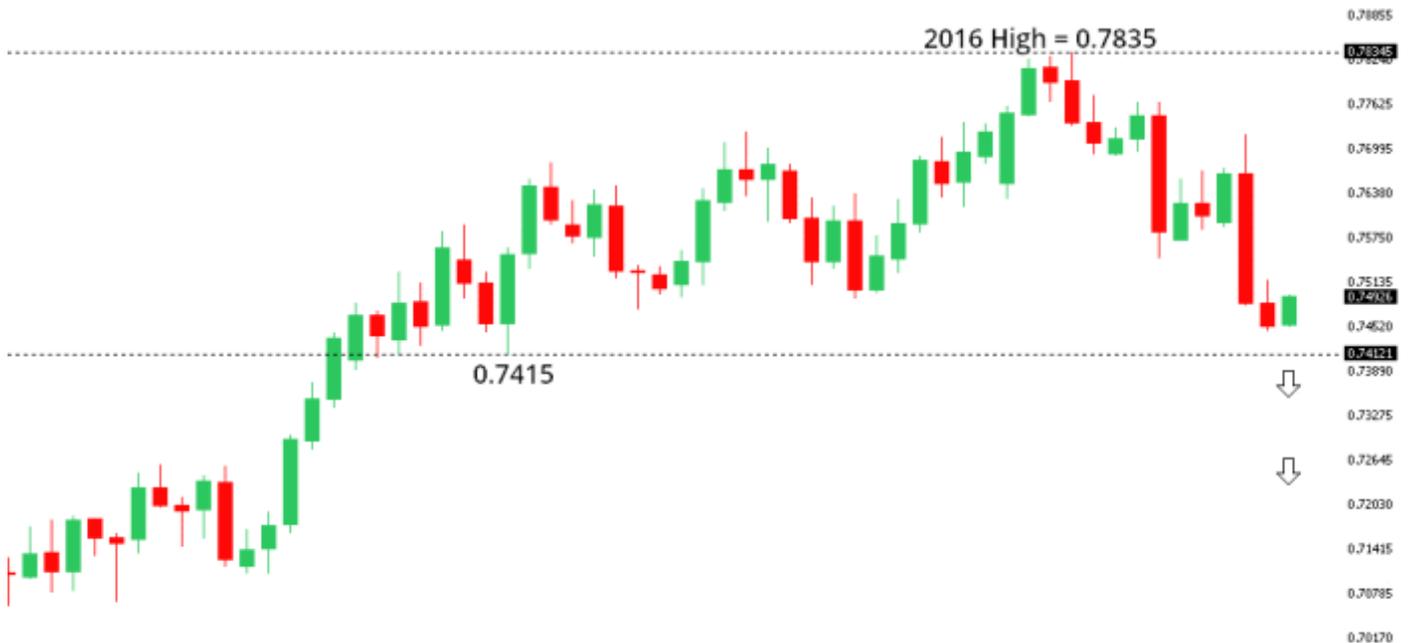
- R2 1.1062 – 17Feb high – Strong
- R1 1.1024 – 10Mar high – Strong
- S1 1.0904 – 19Apr low – Medium
- S2 1.0844 – 7Apr low – Strong

EURCHF – fundamental overview

Many traders have assigned the latest recovery in the cross rate to SNB action that ultimately could have a very hard time supporting the market should risk sentiment continue to roll over. There have been signs of potential topping in equities markets and if this intensifies, it will invite renewed unwanted demand for the safe haven Franc. Dealers cite sizable offers around 1.1000 with no buy stops reported until above 1.1025. The SNB remains committed to a policy of weakening the Franc, but it will be interesting to see how the central bank’s efforts fair in the face of further risk liquidation.

AUDUSD – technical overview

An impressive run for this pair is finally stalling out after extending gains to fresh 2016 highs. The run had been looking stretched and this latest topside failure for additional weakness and a potential bearish resumption. Still, a daily close below 0.7415 would be required to strengthen this outlook and take the immediate pressure off the topside.



- R2 0.7591 – 2May low – Strong
- R1 0.7548 – 27Apr low – Medium
- S1 0.7447 – 4May low – Medium
- S2 0.7415 – 16Mar low – Strong

AUDUSD – fundamental overview

The Australian Dollar is better bid on Thursday, with the currency recovering from setbacks earlier in the week after the semi surprise RBA rate cut. The catalyst for recovery comes from a solid round of Thursday results, highlighted by Aussie retail sales, trade and housing data. While the RBA opted to cut rates this week, the decision was more a function of subdued inflation and a higher Aussie rate than economic data, which has been looking good and could keep the central bank from making any additional moves. Looking ahead, US initial jobless claims and some Fed speak are the only standouts, with the market mostly expected to position into Friday’s anticipated monthly employment report out of the US.

USDCAD – technical overview

The market could finally be poised for a healthy corrective reversal after taking out barriers at 1.2500 and trading to a fresh 2016 low. Tuesday’s impressive bullish outside day formation strengthens this prospect and opens the door for additional upside in the sessions ahead. Still, a break back above 1.2990 would be required to officially take the pressure off the downside.



- R2 1.2990 – 18Apr high – Strong
- R1 1.2886 – 4May high – Medium
- S1 1.2732 – 3May high – Medium
- S2 1.2697 – 4May low – Strong

USDCAD – fundamental overview

It hasn’t happened all that often but Wednesday’s price action was less a function of the direction in OIL markets and more reflective of a shockingly weak Canada trade report, producing the largest deficit on record. The Canadian Dollar has been a clear underperformer as a result, with setbacks extending after US data ex ADP exceeded expectation. Looking ahead, we get Canada building permits, US initial jobless claims and some Fed speak. Otherwise, the market will mostly position ahead of Friday’s double whammy of monthly employment reports out of Canada and the US.

NZDUSD – technical overview

Despite recent gains to fresh 2016 highs, the market remains confined to a broader downtrend with rallies expected to continue to be well capped in the 0.7000s. Tuesday's topside failure and impressive bearish outside day formation strengthens this outlook, opening a deeper correction in the sessions ahead. Still, a break back below 0.6759 will be required to officially take the immediate pressure off the topside.



- R2 0.7000 – Psychological – Strong
- R1 0.6941 – 4May high – Medium
- S1 0.6860 – 4May low – Medium
- S2 0.6807 – 27Apr low – Strong

NZDUSD – fundamental overview

Weakness in the New Zealand Dollar this week has been a function of a broader recovery in the US Dollar, disappointing GDT auction and setbacks in sympathy with the Australian Dollar, following Tuesday's RBA cut. The Tuesday RBA cut increases odds the RBNZ will follow up with another cut of its own when it next meets in June. Risk off trade also hasn't done anything to help Kiwi's cause. Looking ahead, US initial jobless claims and some Fed speak are the only standouts, with the market mostly expected to position into Friday's anticipated monthly employment report out of the US.

US SPX 500 – technical overview

This latest multi-day rally is classified as corrective, with any additional upside expected to be well capped below 2100 on a weekly close basis in favour of the next major downside extension below 1800 and towards a measured move at 1500 further down. Look for a break back below 2021 to strengthen this outlook and accelerate declines. Ultimately, only a weekly close above 2100 will delay.



- R2 2112.00 – 20Apr/2016 high – Strong
- R1 2084.00 – 2May high – Medium
- S1 2052.00 – 29Apr low – Medium
- S2 2021.00 – 24Mar low – Strong

US SPX 500 – fundamental overview

The stock market is once again looking vulnerable at lofty heights, with the 2016 rally continuing to feel like it has very little behind it. The fact that monetary policy is exhausted on a global scale is not something that should be a comfort to investors. Moreover, there is clearly a debate going on within the Fed and the case for slowing down the normalisation process may not be as much of a done deal as the market is pricing, something that could once again spook investors. The market will now be looking ahead to Friday’s NFPs and on balance, it would seem participants will be rooting for a softer round of data that gives the Fed more of an excuse to maintain policy that incentivises investment in stocks.

GOLD (SPOT) – technical overview

The market continues to show signs of a major structural shift, with the impressive recovery from the multi-year low in late 2015 at 1046, extending above the critical October 2015 peak at 1191. From here, any setbacks should be well supported, in favour of a higher low and the next major upside extension through medium-term resistance at 1307 and towards 1400 further up. Ultimately, only a weekly close back below 1191 would delay the newly adopted constructive outlook.



- R2 1307.00 – 22Jan/2015 high – Very Strong
- R1 1304.00 – 2May/2016 high – Medium
- S1 1265.10 – 29Apr low – Medium
- S2 1223.85 – 14Apr low – Strong

GOLD (SPOT) – fundamental overview

Overall, GOLD has been very well supported in recent dips, with the yellow metal finding solid demand in 2016 on the back of fears over the limitations of exhausted monetary policy and extended global equities. Whether the US Dollar is bid is becoming less relevant, with risk sentiment likely to be the primary driver going forward. Renewed weakness on this front will continue to bolster the yellow metal.

Feature – technical overview

USDSGD finally looks poised to start thinking about turning back up after a period of intense correction from earlier this year. Overall, the structure remains constructive, with the most recent dip supported ahead of 1.3000. Look for a break and close back above 1.3668 over the coming sessions to strengthen the outlook. Ultimately, only a weekly close below 1.3000 would give reason for pause.



- R2 1.3668 – 14Apr high – Strong
- R1 1.3600 – Figure – Medium
- S1 1.3350 – 19Apr/2016 low – Strong
- S2 1.3284 – 18Jun low – Strong

Feature – fundamental overview

Scope for additional Singapore Dollar upside should be limited given recent MAS efforts and the prospect the central bank will step in to intervene in an effort to stem a further appreciation in the local currency. Meanwhile, with global equities starting to falter, this will put added strain on correlated emerging market FX, which ultimately should invite renewed downside pressure in the Singapore Dollar. Certainly this week's comments from Fed's Lockhart and Williams, both supportive of a June rate hike, have not done anything to help the Singapore Dollar's cause. Offsetting Wednesday US economic data is keeping the US Dollar supported on dips as the market starts to position for Friday's all important US NFP report. We do get US initial jobless claims data and more Fed speak today, though it's unlikely these will factor much into trade.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.